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SUBJECT: AQABA AUTHORITIES HOST QIZ PROGRAM

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SUMMARY  
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1. (u) Aqaba Chief Commissioner Akel Biltaji hosted a group of some 50 QIZ exporters and park managers for a two-day program in the Special Economic Zone to tout improved port services and to sell the Aqaba International Industrial Estate as an investment option. Participants were pleased with the program, which reinforced some good news about improvements to lead-times for door-to-door shipment from QIZ's to the U.S. via Aqaba. The program also raised questions, though, about choices the Aqaba Special Economic Zone Authority has made to accommodate expatriate labor in an effort to attract foreign investment. End summary.

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AQABA QIZ PROGRAM JUNE 26-27  
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2. (u) Akel Biltaji, Chief Commissioner of the Aqaba Special Economic Zone Authority (ASEZA), hosted a two-day program in Aqaba at the end of June for QIZ exporters and QIZ park managers. The aim of the program, which received extensive support from the USAID-funded Jordan-US Business Partnership (JUSBP), was twofold: first, to expose QIZ exporters to the services offered by the Port of Aqaba and recent and planned improvements to port services; and second, to encourage exporters to invest in the Aqaba International Industrial Estate, a QIZ-qualified light industrial park built with USAID assistance and slated to begin operation at the end of 2002. Representatives from all of Jordan's main QIZ parks attended, along with several of their clients. Also in attendance were representatives of local and international shipping lines.

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SPOTLIGHT ON PORT, ASEZA ADVANTAGES  
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3. (u) Port Director Saud Soror highlighted strong, consistent growth in port business in recent years in a presentation on day one. He noted in particular a 16% increase in container transshipment through the port in the first quarter of 2002, and further noted that the increased volume coincided with fewer ship visits - an indicator that larger container ships are now using Aqaba, a good growth sign. Soror also highlighted improvements to port infrastructure totaling \$10-12 million in the past 2-3 years, in particular the addition of a third gantry crane that has significantly decreased lead times to be on par with international standards and lowering freight costs for importers and exporters.

4. (u) A day two presentation by ASEZA representatives highlighted the business advantages offered in the ASEZ. The ASEZA reps promised quicker business registration times, streamlined customs operations, and expediting for visa applications. More importantly for the assembled QIZ exporters, they highlighted fast turnaround times for work permits for laborers employed in the zone, and lower permit fees compared to the rest of Jordan. ASEZA reps also noted regulations in the zone allow an investor to draw up to 70% of its labor force from overseas, with the further promise that, if an investor found he needed a higher percentage, "come to us, we're flexible."

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LEAD TIMES IMPROVING  
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5. (u) Perhaps the most important presentation for QIZ operators, though, was a lengthy discussion of door-to-door shipping times through both Aqaba and Haifa. During the presentation, agents for both Maersk and APL confirmed a long-term commitment to shipping through Aqaba and said they were working hard to reduce lead times from Aqaba to New York through the use of larger, more frequently scheduled feeder vessels. The Maersk rep said the company had already added four new feeders from Aqaba to Salala, had instituted

fixed-day sailing from Aqaba, and had just opened a field office in Amman. The APL rep noted the company was looking at establishing a feeder route through Genoa, which could cut 3-5 days off current shipping times.

16. (u) Local shipping magnate Amin Kavar told a surprised assemblage that door-to-door shipping times from QIZ's to New York through Haifa and through Aqaba are reaching parity. He attributed this to long overland shipping times from the QIZ parks to Haifa, which he said average 7-8 days. By comparison, the trip from factory to boat in Aqaba might take as little as 2-3 days. With overland transportation reforms being finalized by the GOJ (according to Biltaji), transit times from QIZ to Aqaba could be cut to one day. These improvements could easily make up the current difference of 11-16 days between using Haifa and using Aqaba. With lead times converging, most exporters agreed Aqaba, at up to \$1,000 less per container to ship (\$1500-\$1700, versus \$2500 per container through Haifa) would become a more desirable shipping point almost overnight. Kavar told us on the margins of the conference that, in fact, some 40% of QIZ exports already used Aqaba as the primary shipping port - 80 containers per week, versus 100 per week through Haifa.

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COMMENT  
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17. (u) The increasing frequency with which Aqaba is being used as an export point for QIZ containers is good news. It means more jobs for Jordanian truckers and for Jordanian dockworkers, and provides an incentive for Aqaba authorities to continue their commitment to smoothing port operations. The bad news is, no one knows Aqaba is already so widely used. The general consensus is that Haifa is still overwhelmingly the port of choice for QIZ exporters. This serves to reinforce unenlightened arguments among economic conservatives that the QIZ initiative provides no real benefits to Jordan - jobs go to the Chinese, profits go to foreign investors, and containers go to Haifa. We will continue to work with the GOJ, local chambers of industry, and the sector to get the facts out.

18. (sbu) Of more concern in the long run are the labor incentives ASEZA advertises to foreign investors. Offering cheaper, faster work permits to larger percentages of foreign workers runs counter to ASEZA's long-term strategy for creating jobs for residents in poor neighborhoods of Aqaba and Ma'an. These incentives are not likely to lead to relocation of existing QIZ's in Jordan, due to investment perks that are available in Jordan proper but not in Aqaba. They will prove a disincentive to hire local labor, though, until the GOJ shows a stronger commitment to demand-driven skills training for Jordanians, or until the GOJ starts focusing its investment promotion efforts on responsible companies that show a long-term commitment to the kingdom and to worker training. USAID is working with the GOJ to develop such a skills training program targeting Jordanian workers in the textile sector.  
Gnehm